

By Patrick Fearon-Hernandez, CFA, and Thomas Wash

[Posted: September 30, 2026 — 9:30 AM ET] Global equity markets are mixed this morning. In Europe, the Euro Stoxx 50 is down 0.4% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.1%. Chinese markets were mixed, with the Shanghai Composite up 0.3% and the Shenzhen Composite down 0.2%. US equity index futures are signaling a slightly lower open.

The Confluence macro team publishes a plethora of research reports and multimedia offerings on a weekly and quarterly basis, all available on our [website](#). We highlight recent publications below with new items of the day in bold.

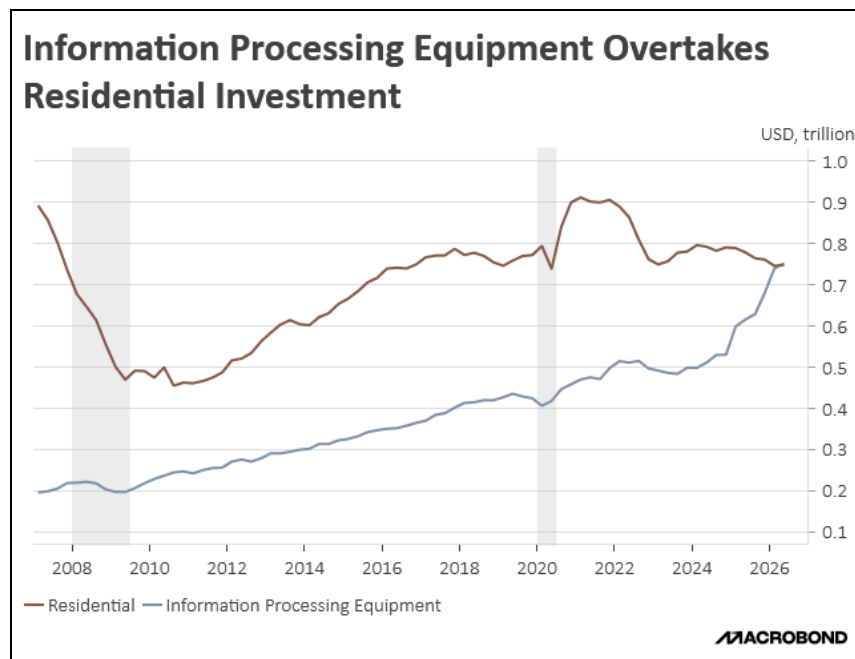
Bi-Weekly Geopolitical Report	Asset Allocation Bi-Weekly	Asset Allocation Quarterly	Of Note
"The Geopolitics of China's Energy Policy" (9/28/26) + podcast	"Breaking the Bond Fever!" (9/21/26)	Q3 2026 Report Q3 2026 Rebalance Presentation	Business Cycle Report Confluence of Ideas Podcast

Have a question on the economy, markets, geopolitics, or other important topics? You can submit your queries to our monthly podcast, *Confluence Mailbag*! Submit your question to mailbag@confluenceim.com.

Today's *Comment* opens with our thoughts on the recent level of spending by AI companies. We then examine whether the United Kingdom may be considering rejoining the EU. Next, we briefly cover White House talks on AI oversight, concerns about a short squeeze in Treasuries, and a plane incident that could potentially escalate tensions in the Middle East. As always, we conclude with a review of recent domestic and international economic data.

AI Fundraising: AI providers continue to seek massive financing to build out their computing capacity. On Tuesday, Reuters reported on a leaked IPO prospectus for Anthropic, revealing that the company's aggressive expansion will significantly increase overall costs and potentially delay its path to profitability. Meanwhile, OpenAI is also considering another round of equity issuance to boost its valuation and raise funds for its own expansion. The push by these two companies for additional capital highlights the growing scale of the global AI buildout.

- Anthropic's recent prospectus reveals the company continues to incur heavy losses, even as it targets a valuation of \$2 trillion. According to the document, [the AI developer posted a net loss of \\$42 billion in 2025 and plans to spend \\$518 billion](#) on cloud computing and infrastructure over the coming years. Despite these staggering costs, strong revenue growth sustains expectations that the company could transform society on par with the Industrial Revolution and the internet.
- OpenAI is also looking to raise funds, although its IPO is expected to follow Anthropic's. In its latest funding round, [the company aims to raise \\$30 billion in new capital](#), which would value it at \$1.4 trillion. While OpenAI boasts strong revenue, it faces challenges similar to Anthropic; recently, the ChatGPT maker decided to postpone going public this year while it addresses rising safety concerns surrounding AI.
- Spending on artificial intelligence is scaling at an unprecedented rate. According to *The Wall Street Journal*, this [infrastructure build-out is projected to reach 3.6% of GDP from 2025 to 2032](#), dwarfing past projects. By comparison, the telecom and fiber expansion during the dot-com bubble accounted for less than a third of that. The investment has grown so massive that spending on information-processing equipment has already surpassed residential housing investment this year.

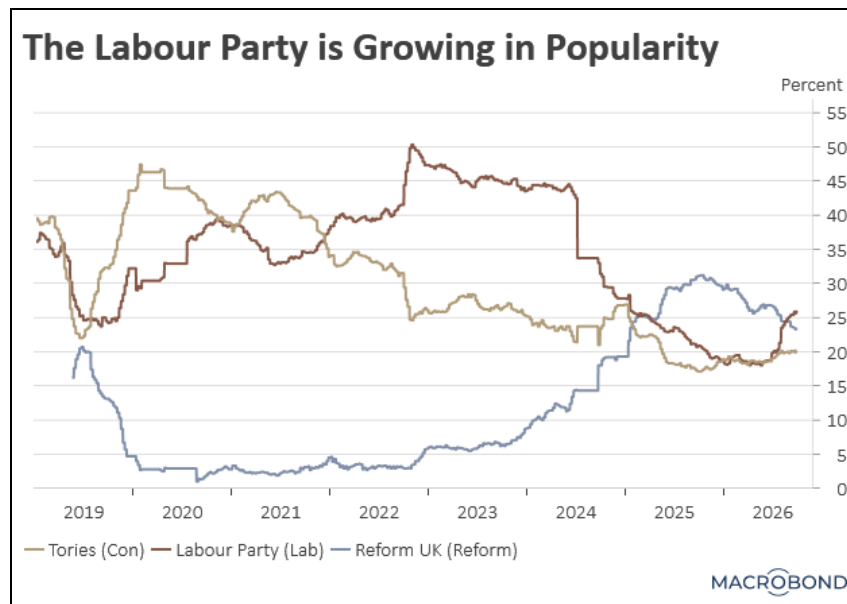


- The constant capital requirements of AI companies remain a major market factor that increasingly threatens to crowd out other sectors of the economy. This astounding level of spending feeds concerns that it could overheat key economic sectors, potentially pushing bond yields higher across the board. While the infrastructure build-out will likely benefit tech and related industries, persistent borrowing costs could create broader economic headwinds.

Brexit Redo? Nearly a decade after leaving the EU, [the UK is considering rejoining the bloc](#). Prime Minister Andy Burnham has stated that he plans to review the country's European policy,

with his push to rejoin coming as he prepares for new elections in the upcoming year. This decision coincides with other radical proposals under consideration, such as potentially higher taxes to fund social spending. While any reversal of Brexit is far from certain, it could signal what the EU might tolerate from countries seeking to return to the fold.

- Burnham's push comes as he plans to hold talks with his EU counterparts this autumn at a summit focusing on ways [to help promote British companies within the EU bloc](#). This shift marks a major U-turn for the Labour Party, which in 2024 established strict red lines on the EU, including promises not to rejoin the customs union, the single market, or return to free movement.
- The policy shift comes as the party appears to be pursuing a broader strategic rebrand [amid rumors that it is considering early elections](#). Although Burnham has denied plans to call a new vote, his proposed agenda would almost certainly require a fresh electoral mandate. Beyond rejoining the EU, he has floated tax increases to fund social spending and electoral reforms intended to make it harder for divisive political forces to gain power.



- Since taking over the party in July, Burnham has overseen a rise in Labour's public support, lifting it to the top of UK opinion polls. The party's gains have coincided with a steady decline in support for Reform UK, suggesting that Labour may be attracting more moderate voters. If that trend continues, particularly if Labour's gains increasingly come at Reform's expense, it could strengthen the case for an early election.
- That said, the potential for the UK to rejoin the EU could help restore confidence in the region as well as make it more politically stable. Since Brexit, the country has cycled through seven different prime ministers. Additionally, a new election could shore up public support for the potential tax hikes, which would ease the country's debt burden and make its bonds more attractive to investors. The major downside, however, is that the country would have to submit to burdensome EU regulations.

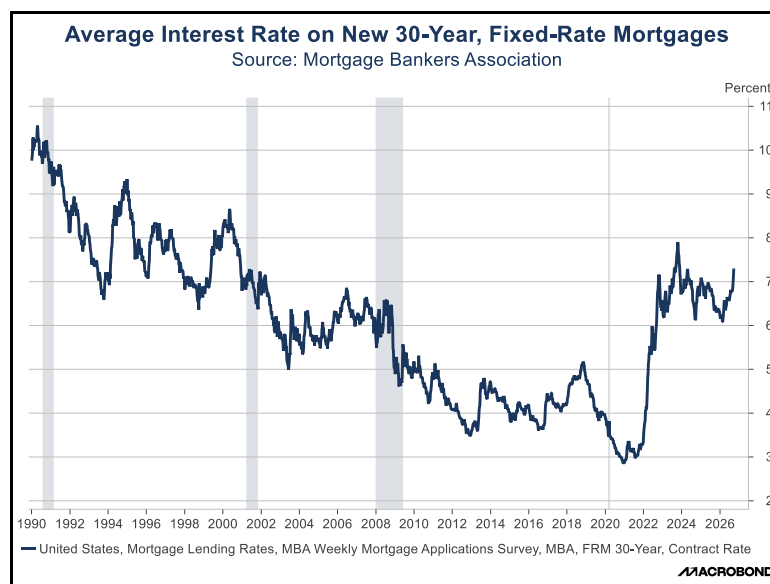
AI Oversight? The White House hosted a [meeting with AI executives to discuss regulating the safety risks](#) associated with the technology. Following the discussions, officials announced that industry leaders will self-regulate — a move indicating the administration currently plans to minimize federal oversight. This lighter regulatory approach should make it easier for AI companies to innovate with fewer restrictions, providing a boost to the sector.

Crowded Short: The growing push by [investors to offload Treasuries could leave them vulnerable to a rug pull](#) if confidence begins to shift. These concerns come as more investors are betting on higher interest rates following signs that the economy is overheating. As a result, this week's jobs report could squeeze those investors if it comes in weaker than expected. Such bets may also incur the wrath of US Treasury Secretary Scott Bessent, who has made clear he will penalize investors who stray from market fundamentals.

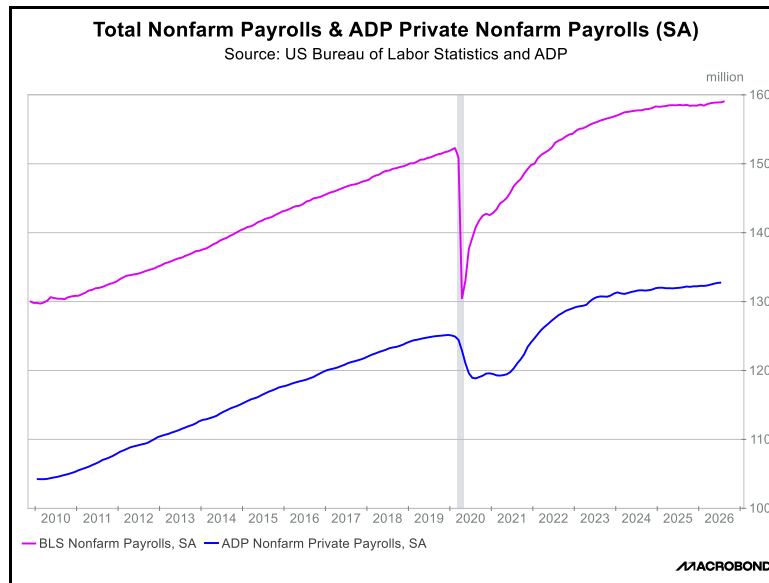
Plane Attack: A plane heading to Israel [was forced to make an emergency landing following a scuffle that left the pilot and co-pilot injured](#). While nothing has been verified about what took place during the incident, a person who claims to have been on the flight said that an attacker stabbed the pilot. At this time, the facts are still being gathered; however, Israeli Prime Minister Benjamin Netanyahu did hold an emergency meeting. The incident is being investigated as a security matter and could raise tensions in the Middle East if deemed a terrorist attack.

US Economic Releases

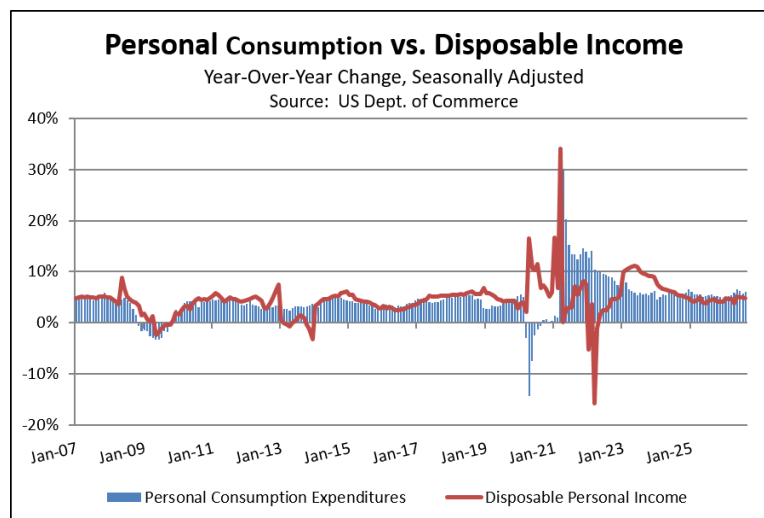
The Mortgage Bankers Association said *mortgage applications* in the week ended September 25 fell 6.0%, extending the previous week's 1.5% decline. Applications for home purchase mortgages fell 4.3%, after edging down 0.8% in the prior week. Applications for refinancing mortgages dropped 8.7% following a 2.6% decrease the week before. The average interest rate on a 30-year, fixed-rate mortgage jumped 18 basis points to 7.30%. The chart below shows how mortgage rates have changed over time.



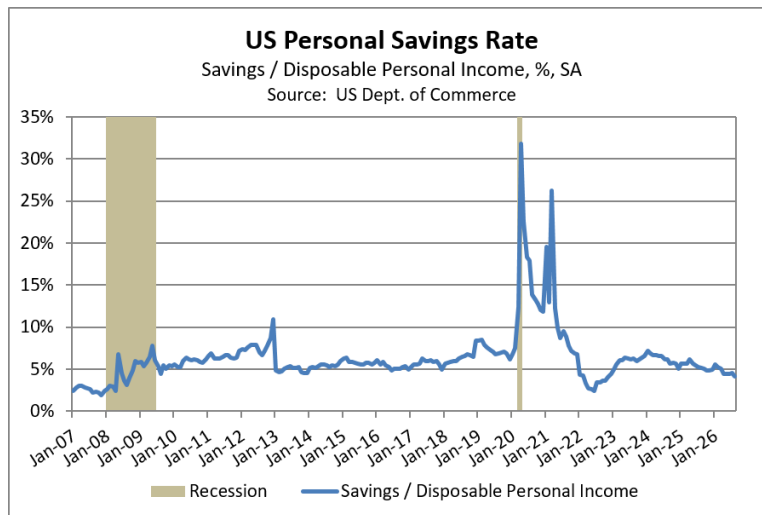
Separately, the ADP Research Institute estimated that **private payroll employment** rose in September by a seasonally adjusted 90,000, beating the expected increase of 75,000 and accelerating sharply from the revised August gain of 36,000. ADP's estimate is widely seen as an indicator of what to expect when the Labor Department releases its measure of nonfarm payrolls on Friday. The chart below shows the Labor Department's figure for total nonfarm payrolls and ADP's estimate of private payrolls since 2010.



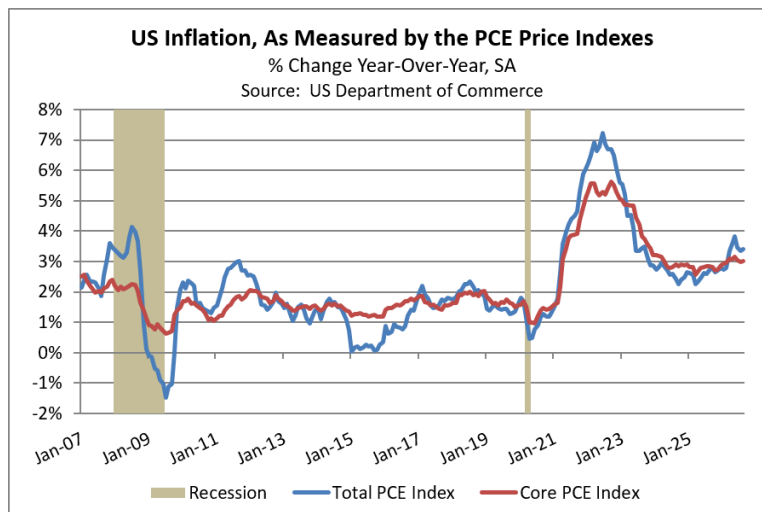
In yet another major report, August **personal income** rose by a seasonally adjusted 0.2%, short of both the expected rise of 0.5% and the revised July increase of 0.3%. Meanwhile, August **personal consumption expenditures (PCE)** jumped 0.9%, matching expectations and marking a sharp acceleration from the revised July increase of 0.1%. Personal income in August was up 4.3% from the same month one year earlier, while PCE was up 6.1%. The chart below shows the year-over-year change in personal income and PCE since just before the Great Financial Crisis (GFC).



The personal income and spending report also includes a measure of personal saving, defined as disposable (after-tax) income less consumption spending on goods and services. The August **personal savings rate** fell to a seasonally adjusted 4.1%. The savings rate is now historically low, likely reflecting cost-of-living pressures on consumers. The chart below shows how the personal savings rate has fluctuated since just before the GFC.

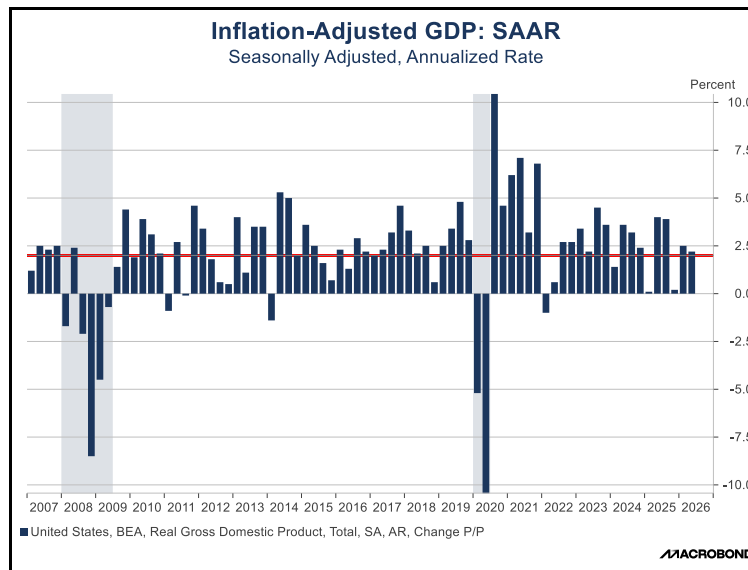


The income and spending report includes the Fed's preferred measure of consumer price inflation. After stripping out the volatile food and energy components, the **Core PCE Deflator** for August was up 3.0% from the same month one year earlier, weaker than the expected rise of 3.3% but still far worse than the Fed's target of 2.0%. The chart below shows the year-over-year change in the Core PCE Deflator since just before the GFC.

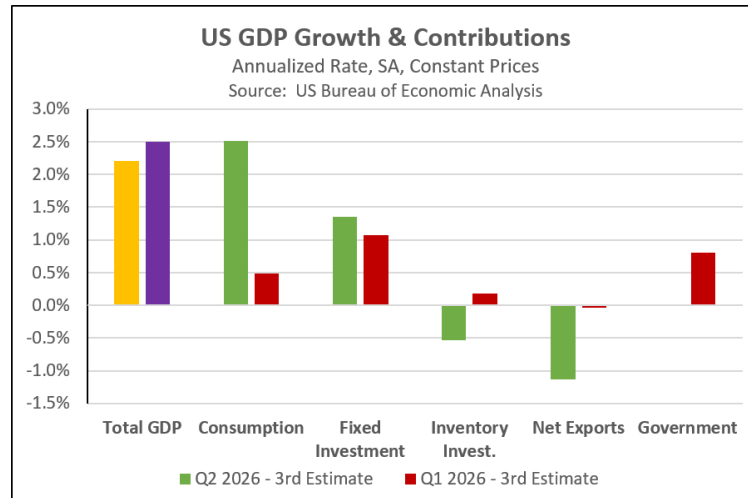


Finally, the Commerce Department released its third and final regular estimate of economic activity in the second quarter. After stripping out seasonal factors and price changes, the report showed second quarter **gross domestic product (GDP)** rose at an annualized rate of 2.2%, much better than expectations that the growth rate would be the same 1.5% estimated previously. The

chart below shows the annualized growth rate of US GDP since just before the GFC; the horizontal red line indicates the average growth rate of about 2.0% over the last two decades.



A close look at the details in the report shows that the main source of growth in the quarter was consumer spending, followed by fixed investment (largely reflecting the AI investment frenzy). The chart below shows the contributions to the annualized growth rate in the second quarter.



The table below lists the economic releases and Fed events scheduled for the rest of the day.

Economic Releases						
EST	Indicator			Expected	Prior	Rating
9:45	MNI Chicago PMI	m/m	Sep	51.0	47.1	***
Federal Reserve						
EST	Speaker or Event	District or Position				
13:30	Thomas Barkin Gives Welcome Remarks at Rural America Conference	President of the Federal Reserve Bank of Richmond				
15:25	Lisa Cook Speaks at investing in Rural America Conference	Members of the Board of Governors				
17:10	Austan Goolsbee Gives Keynote Address	President of the Federal Reserve Bank of Chicago				
18:00	Neel Kashkari Speaks in Fireside Chat	President of the Federal Reserve Bank of Minneapolis				

Foreign Economic News

We monitor numerous global economic indicators on a continuous basis. The most significant international news that was released overnight is outlined below. Not all releases are equally significant; thus, we have created a star rating to convey to our readers the importance of the various indicators. The rating column below is a three-star scale of importance, with one star being the least important and three stars being the most important. We note that these ratings do shift over time as economic circumstances change. Additionally, for ease of reading, we have also color-coded the market impact section, which indicates the effect on the foreign market. Red indicates a concerning development, yellow indicates an emerging trend that we are following closely for possible complications, and green indicates neutral conditions. We will add a paragraph below if any development merits further explanation.

Country	Indicator			Current	Prior	Expected	Rating	Market Impact
ASIA-PACIFIC								
Japan	Retail Sales	y/y	Aug	2.7%	4.0%	3.2%	**	Equity and bond neutral
	Depart. Store & Supermarket Sales	y/y	Aug	0.8%	1.4%		*	Equity and bond neutral
	Industrial Production	y/y	Aug P	3.4%	3.9%	6.8%	***	Equity bearish, bond bullish
	Housing Starts	y/y	Aug	6.0%	8.2%	7.0%	**	Equity bearish, bond bullish
	Annualized Housing Starts	y/y	Aug	0.753m	0.774m	0.766m	*	Equity and bond neutral
	Machine tool orders	y/y	Aug F	64.7%	64.7%		**	Equity and bond neutral
Australia	CPI	y/y	Aug	4.0%	3.5%	4.1%	**	Equity and bond neutral
	Private Sector Credit	y/y	Aug	8.4%	8.4%		**	Equity and bond neutral
	Building Approvals	m/m	Aug	-6.1%	-1.9%	-1.0%	***	Equity bearish, bond bullish
New Zealand	ANZ Business Confidence	m/m	Sep	51.9	53.7		**	Equity and bond neutral
South Korea	Industrial Production	y/y	Aug	-2.2%	4.0%	4.3%	***	Equity and bond neutral
China	Official Manufacturing PMI	m/m	Sep	50.1	49.8	50.1	***	Equity and bond neutral
	Official Services PMI	m/m	Sep	50.2	49.0	49.2	**	Equity bullish, bond bearish
	Official Composite PMI	m/m	Sep	50.7	49.5		*	Equity and bond neutral
	RatingDog China PMI Composite	m/m	Sep	52.4	52.1		**	Equity and bond neutral
	RatingDog China PMI Services	m/m	Sep	51.6	51.4	51.3	**	Equity and bond neutral
	RatingDog China PMI Mfg	m/m	Sep	52.1	51.5	51.7	***	Equity and bond neutral
EUROPE								
Germany	Import Price Index	y/y	Aug	8.3%	6.8%	8.0%	**	Equity and bond neutral
	Retail Sales	y/y	Aug	-0.4%	-2.2%	-0.5%	*	Equity and bond neutral
Germany	Unemployment Change	m/m	Sep	12.0k	5.0k	0.5k	***	Equity and bond neutral
	Unemployment Claims Rate	m/m	Sep	6.4%	6.4%	6.4%	**	Equity and bond neutral
	CPI	y/y	Sep P	3.3%	2.9%	3.1%	***	Equity and bond neutral
France	CPI, EU Harmonized	y/y	Sep P	3.3%	2.9%	3.0%	**	Equity and bond neutral
	CPI	y/y	Sep p	3.0%	2.4%	2.8%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Sep P	3.4%	2.6%	3.2%	**	Equity and bond neutral
Italy	PPI	y/y	Aug	4.8%	3.5%		*	Equity and bond neutral
	Consumer Confidence Index	m/m	Sep	91.2	94.5	94.4	***	Equity bearish, bond bullish
	Economic Sentiment	m/m	Sep	95.9	97.0		**	Equity and bond neutral
UK	Manufacturing Confidence	m/m	Sep	91.9	90.2	90.5	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Sep P	4.1%	3.2%	3.7%	***	Equity and bond neutral
	CPI NIC Including Tobacco	y/y	Sep p	4.2%	3.3%	3.7%	**	Equity and bond neutral
UK	GDP	y/y	2Q F	1.4%	1.2%	1.2%	***	Equity and bond neutral
	Private Consumption	q/q	2Q F	0.3%	0.3%		*	Equity and bond neutral
	Government Spending	q/q	2Q F	-0.5%	-0.3%	-0.3%	*	Equity and bond neutral
	Exports	q/q	2Q F	2.8%	0.5%	0.5%	*	Equity bullish, bond bearish
	Imports	q/q	2Q F	0.0%	0.5%	0.5%	*	Equity and bond neutral
	Total Business Investment	y/y	2Q F	5.20%	0.80%	0.80%	*	Equity bullish, bond bearish
	Current Account Balance	m/m	2Q	-19.9b	-21.1b	-25.5b	*	Equity and bond neutral

Financial Markets

The table below highlights some of the indicators that we follow daily. Again, the color coding is similar to the foreign news description above. We will add a paragraph below if a certain move merits further explanation.

Fixed Income	Today	Prior	Change	Trend
3-mo T-bill yield (bps)	405	406	-1	Up
U.S. Sibor/OIS spread (bps)	405	406	-1	Up
U.S. Libor/OIS spread (bps)	403	404	-1	Up
10-yr T-note (%)	5.23	5.24	-0.01	Up
Euribor/OIS spread (bps)	262	259	3	Up
Currencies	3 Mo			
Dollar	Down	US		Flat
Euro	Up	Euro		Down
Yen	Down	Japan		Up
Pound	Up	UK		Up
Franc	Down	Switzerland		Down

Commodity Markets

The commodity section below shows some of the commodity prices and their change from the prior trading day, with commentary on the cause of the change highlighted in the last column.

	Price	Prior	Change	Explanation
Energy Markets				
Brent	\$103.55	\$102.59	0.94%	
WTI	\$90.60	\$89.38	1.36%	
Natural Gas	\$3.03	\$3.01	0.63%	
Crack Spread	\$64.67	\$61.86	4.55%	
12-mo strip crack	\$54.48	\$53.35	2.11%	
Ethanol rack	\$2.32	\$2.32	-0.01%	
Metals				
Gold	\$4,191.47	\$4,182.31	0.22%	
Silver	\$60.77	\$61.48	-1.15%	
Copper Contract	\$662.25	\$660.35	0.29%	
Grains				
Corn contract	\$525.00	\$522.00	0.57%	
Wheat contract	\$698.75	\$692.75	0.87%	
Soybeans contract	\$1,304.25	\$1,297.75	0.50%	
Shipping				
Baltic Dry Freight	3,178	3,268	-90	
DOE Inventory Report				
	Actual	Expected	Difference	
Crude (mb)		-0.71		
Gasoline (mb)		-1.00		
Distillates (mb)		0.08		
Refinery run rates (%)		-0.33%		
Natural gas (bcf)		63		

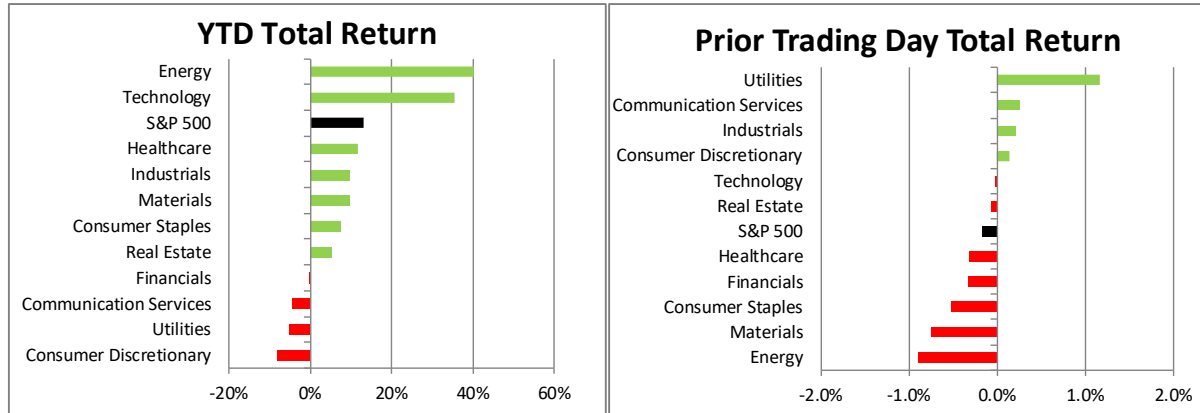
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in the Far West and along the Gulf Coast, with cooler-than-normal temperatures in the Northeast. The outlook calls for wetter-than-normal conditions in the Southeast, with dry conditions in the northern half of the country west of the Great Lakes.

Tropical Storm Hanna is now in the central Atlantic Ocean and traveling slowly to the east, but it poses no near-term threat to land.

Data Section

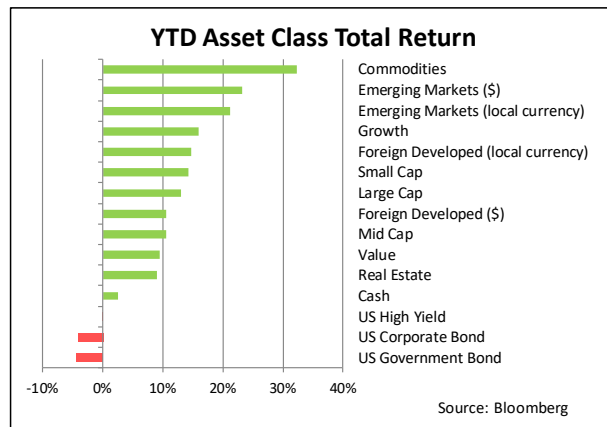
US Equity Markets – (as of 9/29/2026 close)



(Source: Bloomberg)

These S&P 500 and sector return charts are designed to provide the reader with an easy overview of the year-to-date and prior trading day total return. Sectors are ranked by total return; green indicating positive and red indicating negative return, along with the overall S&P 500 in black. These charts represent the new sectors following the 2018 sector reconfiguration.

Asset Class Performance – (as of 9/29/2026 close)

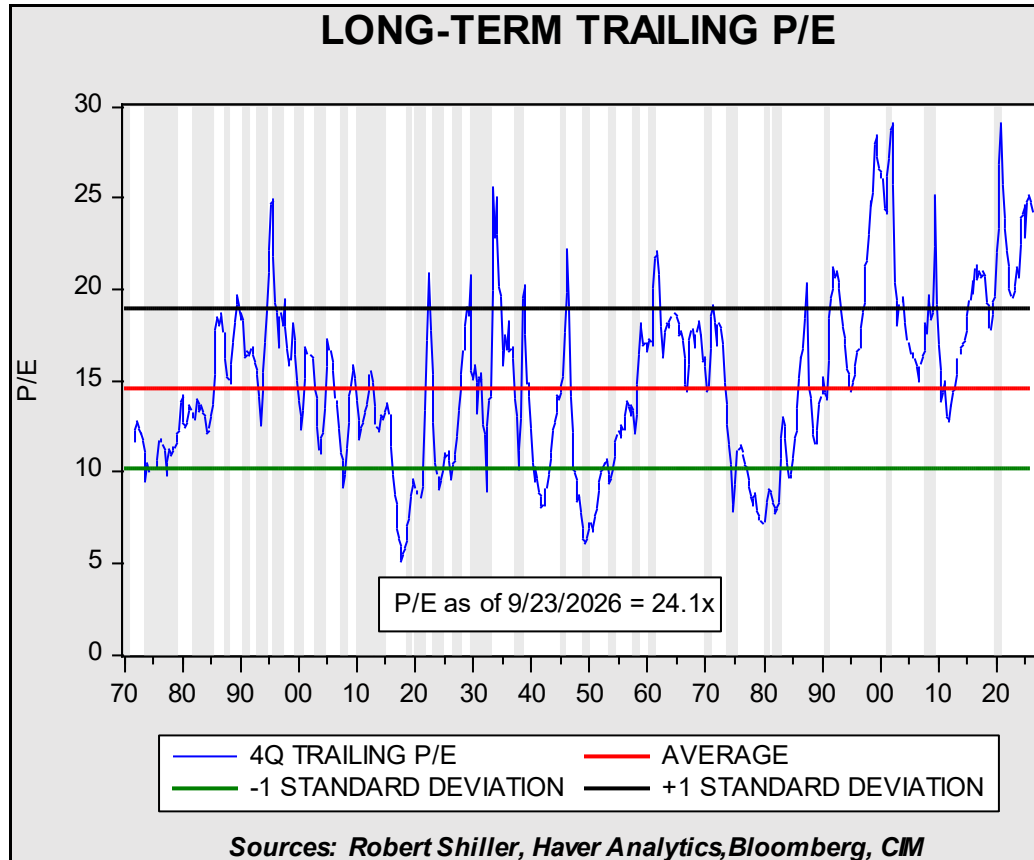


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

Asset classes are defined as follows: Large Cap (S&P 500 Index), Mid Cap (S&P 400 Index), Small Cap (Russell 2000 Index), Foreign Developed (MSCI EAFE (USD and local currency) Index), Real Estate (FTSE NAREIT Index), Emerging Markets (MSCI Emerging Markets (USD and local currency) Index), Cash (iShares Short Treasury Bond ETF), US Corporate Bond (iShares iBoxx \$ Investment Grade Corporate Bond ETF), US Government Bond (iShares 7-10 Year Treasury Bond ETF), US High Yield (iShares iBoxx \$ High Yield Corporate Bond ETF), Commodities (Bloomberg total return Commodity Index), Value (S&P 500 Value), Growth (S&P 500 Growth).

P/E Update

September 24, 2026



Based on our methodology,¹ the current P/E is 24.1x, unchanged from the previous report. The stock price index and earnings were little changed from the previous week.

This report was prepared by Confluence Investment Management LLC and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward-looking statements expressed are subject to change. This is not a solicitation or an offer to buy or sell any security.

¹ This chart offers a running snapshot of the S&P 500 P/E in a long-term historical context. We are using a specific measurement process, similar to *Value Line*, which combines earnings estimates and actual data. We use an adjusted operating earnings number going back to 1870 (we adjust as-reported earnings to operating earnings through a regression process until 1988), and actual operating earnings after 1988. For the current quarter, we use the Bloomberg estimates which are updated regularly throughout the quarter; currently, the four-quarter earnings sum includes three actual quarters (Q3, Q4, Q1) and one estimate (Q2). We take the S&P average for the quarter and divide by the rolling four-quarter sum of earnings to calculate the P/E. This methodology isn't perfect (it will tend to inflate the P/E on a trailing basis and deflate it on a forward basis), but it will also smooth the data and avoid P/E volatility caused by unusual market activity (through the average price process). Why this process? Given the constraints of the long-term data series, this is the best way to create a long-term dataset for P/E ratios.